

Message Text

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ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 R

DRAFTED BY NEA/RA:DTMORRISON:JR

APPROVED BY NEA:SSOBER

NEA/EGY:GBROWN

L/NEA:BKHUFFMAN

EB/CSB:JNESVIG (SUBS)

EB/OFPR:RSERVICE

USDA/FAS:LTUSSEY

AID/NE/ME:BRICHARDSON

S/S:O:DLMACK

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O 280340Z FEB 76

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO IMMEDIATE

S E C R E T STATE 049032

EXDIS

E.O. 11652: GDS

TAGS: ETRD, EAID, PFOR, EG

SUBJECT: ARAB BOYCOTT: AVOIDING POTENTIAL PROBLEMS

REF: A) CAIRO 2278, B) CAIRO 1057, C) STATE 18022,
D) CAIRO 1267, E) STATE 47661, F) STATE 44357

1. EMBASSY MAY WISH TO REPLY TO UNDERSECRETARY ZOULFIKAR'S
SOLICITATION OF VIEWS ON BOYCOTT PROBLEM BY SUGGESTING
MERIT OF HANDLING COMMERCIAL TRANSACTIONS UNDER PROCEDURES
IDENTICAL TO THOSE WHICH APPEAR TO HAVE BEEN WORKED OUT BY
GOE FOR HANDLING SHIPPING, LETTER OF CREDIT, CONTRACT AND
OTHER ARRANGEMENTS RELATING TO AID-FINANCED PROGRAMS.
AVOIDANCE OF BOYCOTT CONDITIONS IN LETTERS OF CREDIT

ISSUED BY NATIONAL BANK OF EGYPT FOR COMMERCIAL TRANS-
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ACTIONS (REF B) SUGGESTS THAT THIS MEANS OF AVOIDING CON-

FLICT WITH U.S. ANTI-BOYCOTT POLICY (ALSO U.S. ANTITRUST LAWS AND NEW YORK/ILLINOIS ANTI-BOYCOTT LEGISLATION) IS POSSIBLE WITHOUT VIOLATION OF EGYPTIAN LAWS. ALTHOUGH PATTERNS OF BOYCOTT ENFORCEMENT VARY WIDELY AMONG ARAB STATES AND EVEN WITHIN INDIVIDUAL ARAB STATES AS TO GIVEN TRANSACTIONS, IT IS OUR IMPRESSION THAT SUBSTANTIAL NUMBER OF COMMERCIAL TRANSACTIONS IN ARAB COUNTRIES WOULD MEET STANDARDS SET BY AID (REF C) FOR EXCLUSION OF BOYCOTT

CLAUSES FROM ALL STAGES OF AID TRANSACTIONS. IT IS ALSO OUR IMPRESSION THAT NUMBER OF TRANSACTIONS NOT ENCUMBERED BY BOYCOTT CONDITIONS HAS INCREASED IN SEVERAL COUNTRIES AS RESULT OF GROWING CONCERN ON PART OF U.S. FIRMS THAT THEIR ACTIVITIES NOT CONFLICT WITH LONGSTANDING U.S. POLICY AND U.S. LAWS.

2. WE HAVE NO ESTIMATE OF WHETHER ARAB STATES DURING ARAB BOYCOTT COMMISSION MEETING COULD REACH FORMAL AGREEMENT TO MODIFY "UNIVERSAL" BOYCOTT ENFORCEMENT PROCEDURES OR WHETHER POSSIBILITY EXISTS FOR SOME LESS DIRECT RATIFICATION OF WHAT IS BECOMING INCREASINGLY COMMON PRACTICE.

3. PL 480. RE YOUR EARLIER REQUEST FOR GUIDANCE ON BOYCOTT WITH RESPECT TO PL 480 TRANSACTIONS (REF D), WE WANT EMBASSY TO SEEK AGREEMENT WITH GOE THAT ARRANGEMENTS APPARENTLY WORKED OUT FOR HANDLING AID TRANSACTIONS (I.D., AVOIDING USE OF BOYCOTT LANGUAGE AT ANY STAGE OF TRANSACTIONS AND ASSURING FAIR COMPETITIVE OPPORTUNITY FOR ALL U.S. FIRMS) WILL APPLY EQUALLY TO ALL PL 480 TITLE I TRANSACTIONS. WITH VIEW TO REACHING AGREEMENT PRIOR TO SIGNING OF NEXT PL 480 AGREEMENT, WE BELIEVE PL 480 ISSUE BEST TAKEN UP SEPARATELY WITH FAHMY OR OTHERS AT HIGHER LEVEL IN GOE, AS EMBASSY SEES FIT. THIS SUPERSEDES INFORMATION ON PL 480 IN REF E. WE ARE NOT RPT NOT PLANNING TO AMEND DRAFT NEGOTIATING INSTRUCTIONS (REF F). INGERSOLL

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